



Ninety-Ninth Legislature - First Session - 2005
Committee Statement
LB 691

Hearing Date: February 10, 2005

Committee On: Nebraska Retirement Systems

Introducer(s): (Stuhr, D. Pederson)

Title: Change provisions relating to cash balance and defined contribution benefits

Roll Call Vote – Final Committee Action:

Advanced to General File

X Advanced to General File with Amendments

Indefinitely Postponed

Vote Results:

6	Yes	Senators Bourne, Erdman, Pederson, Price, Stuhr, Synowiecki
0	No	
0	Present, not voting	
0	Absent	

Proponents:

Jason W. Hayes

Robert Corner

Representing:

Introducer

Nebraska Association of Public Employees
/AFSCME Local 61

Opponents:

Representing:

Neutral:

Anna Sullivan

Representing:

Nebraska Public Employees Retirement Systems

Summary of purpose and/or changes:

Legislative Bill 691 would permit the Public Employees Retirement Board to impose a transaction fee upon a member's employee and employer account. This transaction fee could be assessed on each transfer made by an employee into and out of an investment fund category established under the defined contribution benefit for both the County Employees Retirement System and the State Employees Retirement System.

Such fee imposed could be no greater than four dollars per transaction, and the Board could not impose a fee upon transfers first originating from employee or employer contributions being deposited into an employee or employer account. The Board could impose a lower transaction

fee for transactions initiated by the member over the Internet on the online access system established by the Board.

LB 691 would also establish a procedure by which the Board could apportion certain costs attributed to both the defined contribution benefit and the cash balance benefit from funds forfeited by employees who terminate employment prior to vesting. Currently, the Board only utilizes such forfeited funds for expenses relating to the cash balance benefit option. Expenses incurred as a result of the defined contribution benefit are assessed by the Board against employee and employer accounts through a ten basis point (.10%) fee on account assets.

Under this proposal, expenses incurred in both the cash balance benefit and the defined contribution benefit would be split proportionally based upon member benefit participation and expenses specific to each benefit.

Summary of Sections:

- Section 1. Makes a technical correction indicating that forfeiture funds shall not be used to pay for accounting or record-keeping services related to the cash balance benefit of the County Employees Retirement System.
- Section 2. Permits the Board to impose a transaction fee of up to four dollars on employee account transfers made to and from investment accounts available to defined contribution benefit members in the County Employees Retirement System. Fees would not be permitted on initial deposits deducted from an employee's paycheck. Removes the restriction disallowing forfeited funds from being used to pay administrative expenses.
- Section 3. Requires the Board to apportion the expenses incurred in both the cash balance benefit and the defined contribution benefit of the County Employees Retirement System, and to split the expenses of each benefit proportionally based upon member participation and expenses specific to each benefit.
- Section 4. Permits the Board to impose a transaction fee of up to four dollars on employer account transfers made to and from investment accounts available to defined contribution benefit members in the County Employees Retirement System. Fees would not be permitted on initial deposits made by the employer to cover its matching retirement contribution. Removes the restriction disallowing forfeited funds from being used to pay administrative expenses.
- Section 5. Inserts language to indicate forfeited funds shall be used to cover retirement administrative charges incurred in both the cash balance benefit and the defined contribution benefit of the County Employees Retirement System.
- Section 6. Makes a technical correction indicating that forfeiture funds shall not be used to pay for accounting or record-keeping services related to the cash balance benefit of the State Employees Retirement System.

- Section 7. Permits the Board to impose a transaction fee of up to four dollars on employee account transfers made to and from investment accounts available to defined contribution benefit members in the State Employees Retirement System. Fees would not be permitted on initial deposits deducted from an employee's paycheck. Removes the restriction disallowing forfeited funds from being used to pay administrative expenses.
- Section 8. Permits the Board to impose a transaction fee of up to four dollars on employer account transfers made to and from investment accounts available to defined contribution benefit members in the State Employees Retirement System. Fees would not be permitted on initial deposits made by the employer to cover its matching retirement contribution. Removes the restriction disallowing forfeited funds from being used to pay administrative expenses.
- Section 9. Requires the Board to apportion the expenses incurred in both the cash balance benefit and the defined contribution benefit of the State Employees Retirement System, and to split the expenses of each benefit proportionally based upon member participation and expenses specific to each benefit.
- Section 10. Inserts language to indicate forfeited funds shall be used to cover retirement administrative charges incurred in both the cash balance benefit and the defined contribution benefit of the State Employees Retirement System.
- Section 11. Requires that the transaction fees collected as a result of changes made in sections 2 and 4 shall be used to defray a portion of the pro rata share of expenses attributed to the County Employees Retirement System. Requires that the transaction fees collected as a result of changes made in sections 7 and 8 shall be used to defray a portion of the pro rata share of expenses attributed to the State Employees Retirement System.
- Section 12. Original sections are repealed.

Explanation of amendments, if any:

Committee Amendment AM 1032 eliminates the transaction fees originally proposed in LB 691.

In addition, the amendment would create the County Employer Retirement Expense Fund and the State Employer Retirement Expense Fund. Each fund will consist of any reduction in the county and the state employer contribution that would otherwise be required to fund future service retirement benefits or to restore employer accounts or employer cash balance accounts.

Such funds would be maintained separate from any funds held in trust for the benefit of members. These funds would be used to meet the expenses of the County Employees Retirement System and the State Employees Retirement System, and would be utilized when it is reasonably necessary to cover expenses in either the cash balance benefit or the defined contribution benefit of both the State and County retirement plans.

Currently, when there is a substantial accumulation of forfeiture funds received from the termination of non-vested employees, the Director of the Nebraska Public Employees Retirement Systems will notify the State or County employer that the amount of their employer matching contribution may be reduced by an amount equaling a portion of the forfeiture fund balance. The monies from this reduction will then remain in the State or County employer's general fund.

AM 1032 would require that the amount of money resulting from such reduction would be deposited into an employer retirement expense fund, and would be used to meet employer retirement account expenses. This would enable each employer fund to cover expenses attributed to either the cash balance benefit or the defined contribution benefit of each retirement plan. Currently, forfeiture funds are only available to cover expenses attributed to the cash balance benefit because such funds hold plan assets. Because forfeited funds are not available for non-cash balance benefit expenses, the Public Employees Retirement Board has had to impose a 10 basis point (.10%) fee upon defined contribution plan accounts in order to cover their related expenses.

Summary of Amendment Sections:

- Section 1. Makes a technical correction changing the word 'section' to 'subsection' in order to indicate that forfeiture funds will not be used to pay for accounting or record-keeping services related to the cash balance benefit of the County Employees Retirement System.
- Section 2. Eliminates a reference to the Nebraska Employees Retirement Expense Fund.
- Section 3. Removes outdated language referring to investment options available prior to July 16, 2004. Also makes a technical correction inserting the word 'county' in place of the word 'state' when referring to participating employees in the County Employees Retirement System.
- Section 4. Creates the County Employer Retirement Expense Fund that will consist of any reduction in the county contribution that would otherwise be required to fund future service retirement benefits or to restore employer accounts or employer cash balance accounts. Such funds will be maintained separate from any funds held in trust for the benefit of members.
- Section 5. Eliminates a reference to the Nebraska Employees Retirement Expense Fund.
- Section 6. Eliminates a reference to the Nebraska Employees Retirement Expense Fund.
- Section 7. Eliminates a reference to the Nebraska Employees Retirement Expense Fund.
- Section 8. Makes a technical correction changing the word 'section' to 'subsection' in order to indicate that forfeiture funds will not be used to pay for accounting or record-keeping services related to the cash balance benefit of the State Employees Retirement System.

- Section 9. Eliminates a reference to the Nebraska Employees Retirement Expense Fund.
- Section 10. Creates the State Employer Retirement Expense Fund that will consist of any reduction in the state contribution that would otherwise be required to fund future service retirement benefits or to restore employer accounts or employer cash balance accounts. Such funds will be maintained separate from any funds held in trust for the benefit of members.
- Section 11. Makes a technical correction in reference to the repealing of Neb. Rev. Stat. § 84-1514, in section 14.
- Section 12. Requires that the County Employer Retirement Expense Fund and the State Employer Retirement Expense Fund shall be used to meet the expenses of the County Employees Retirement System and the State Employees Retirement System, respectively. Each fund will be used when it is reasonably necessary to cover expenses in either the Cash Balance Benefit or the Defined Contribution Benefit of both the State and County retirement plans.
- Section 13. Original sections are repealed.
- Section 14. Section 84-1514, containing the Nebraska Employees Retirement Expense Fund, is repealed.

Senator Elaine Stuhr, Chairperson